

CITY OF LAKE MILLS

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2021

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CITY OF LAKE MILLS

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Candy Hanna	Mayor	Jan 2022
Tony Sorenson	Mayor Pro tem	Jan 2024
Scott Flugum	Council Member	Jan 2024
Joseph Jamtgaard	Council Member	Jan 2022
Katie Peterson	Council Member	Jan 2022
Bob Storby	Council Member	Jan 2024
Dorene Holstad	City Clerk/Treasurer	Indefinite
Richard Schwarm	Attorney	Indefinite

Fort & Schlegel C.P.A., P.C.

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Lake Mills, Iowa, as of and for the year ended June 30, 2021 and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

800 1st Ave. S
Fort Dodge, IA
515.955.5560

3131 Main St.
Emmetsburg, IA
712.852.4464

109 2nd St. NE
Mason City, IA
641.423.7155

516 N. Water St.
Goldfield, IA
515.825.3339

4 Main Ave. S
Britt, IA
641.843.3729

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Lake Mills as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Lake Mills basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2020 (which is not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the three years ended June 30, 2012 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of City Contributions on pages 25 through 29, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 25, 2021 on our consideration of City of Lake Mills's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Lake Mills' internal control over financial reporting and compliance.

October 25, 2021


Fort & Schlegel C.P.A., P.C.
Britt, Iowa

BASIC FINANCIAL STATEMENTS

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2021

Functions / Programs:	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:						
Public safety	\$ 713,764		40,560	(673,204)		(673,204)
Public works	577,031	213,661	354,442	(8,928)		(8,928)
Culture and recreation	460,974	71,105	24,573	(365,296)		(365,296)
Community and economic development	158,390			(158,390)		(158,390)
General government	113,121			(113,121)		(113,121)
Debt service	9,000			(9,000)		(9,000)
Capital projects	452,985			(452,985)		(452,985)
Total governmental activities	2,485,265	284,766	419,575	(1,780,924)		(1,780,924)
Business type activities:						
Electric	4,689,269	2,544,217			(2,145,052)	(2,145,052)
Water	554,546	429,558			(124,988)	(124,988)
Sewer	391,876	312,276			(79,600)	(79,600)
Storm sewer	60,913	48,662			(12,251)	(12,251)
Total business type activities	5,696,604	3,334,713			(2,361,891)	(2,361,891)
Total	\$ 8,181,869	3,619,479	419,575	(1,780,924)	(2,361,891)	(4,142,815)
General Receipts:						
Property tax levied for:						
General purposes				\$ 646,669		646,669
Debt service				9,075		9,075
Tax increment financing				994,704		994,704
Local option sales tax				265,433		265,433
Special assessments				86,577		86,577
Commercial/industrial tax replacement				11,351		11,351
Covid state/local government relief				47,153		47,153
Unrestricted interest on investments				68,138	173,622	241,760
Miscellaneous				281,642	137,845	419,487
Transfers				(433,997)	433,997	
Total general receipts and transfers				1,976,745	745,464	2,722,209
Change in cash basis net position				195,821	(1,616,427)	(1,420,606)
Cash basis net position beginning of year				3,878,981	13,208,357	17,087,338
Cash basis net position end of year				\$ 4,074,802	11,591,930	15,666,732
Cash Basis Net Position						
Restricted:						
Nonexpendable:						
Permanent				\$ 45,685		45,685
Expendable:						
Streets				547,022		547,022
Debt service				1,256		1,256
Equipment purchase					957,641	957,641
Other purposes				192,363		192,363
Unrestricted				3,288,476	10,634,289	13,922,765
Total cash basis net position				\$ 4,074,802	11,591,930	15,666,732

See notes to financial statements.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2021

	Special Revenue						
	General	RUT	Urban Renewal Tax Increment	Debt Service	Capital Projects	Nonmajor	Total
Receipts:							
Property tax	\$ 444,085			9,075		202,584	655,744
Tax increment financing			994,704				994,704
Other city tax	265,433						265,433
Licenses and permits	5,065						5,065
Use of money and property	67,875		1,923			1,340	71,138
Intergovernmental	161,357	314,291		246		2,185	478,079
Charges for service	284,766						284,766
Special assessments					86,577		86,577
Miscellaneous	198,485		8,794			66,298	273,577
Total receipts	1,427,066	314,291	1,005,421	9,321	86,577	272,407	3,115,083
Disbursements:							
Operating:							
Public safety	713,764						713,764
Public works	352,036	209,876				15,119	577,031
Culture and recreation	460,974						460,974
Community and economic development	11,252		102,028			45,110	158,390
General government	104,531					8,590	113,121
Debt service				9,000			9,000
Capital projects					452,985		452,985
Total disbursements	1,642,557	209,876	102,028	9,000	452,985	68,819	2,485,265
Excess (deficiency) of receipts over (under) disbursements	(215,491)	104,415	903,393	321	(366,408)	203,588	629,818
Other financing sources (uses):							
Operating transfers in	501,006	12,964			53,438		567,408
Operating transfers out			(772,682)		(15,932)	(212,791)	(1,001,405)
Total other financing sources (uses)	501,006	12,964	(772,682)		37,506	(212,791)	(433,997)
Change in cash balances	285,515	117,379	130,711	321	(328,902)	(9,203)	195,821
Cash balances beginning of year	3,002,961	429,643	55,422	935	240,370	149,650	3,878,981
Cash balances end of year	\$ 3,288,476	547,022	186,133	1,256	(88,532)	140,447	4,074,802
Cash Basis Fund Balances							
Nonspendable - Permanent Fund						45,685	45,685
Restricted for:							
Debt service				1,256			1,256
Streets		547,022					547,022
Other purposes			186,133		(88,532)	94,762	192,363
Unassigned	\$ 3,288,476						3,288,476
Total cash basis fund balances	\$ 3,288,476	547,022	186,133	1,256	(88,532)	140,447	4,074,802

See notes to financial statements.

City of Lake Mills

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2021

	Enterprise				
	Water	Sewer	Storm Sewer	Electric	Total
Operating receipts:					
Charges for service	\$ 429,558	312,276	48,662	2,544,217	3,334,713
Total operating receipts	429,558	312,276	48,662	2,544,217	3,334,713
Operating disbursements:					
Business type activities	(517,286)	(391,876)	(60,913)	(4,689,269)	(5,659,344)
Total operating disbursements	(517,286)	(391,876)	(60,913)	(4,689,269)	(5,659,344)
Excess (deficiency) of operating receipts over (under) operating disbursements	(87,728)	(79,600)	(12,251)	(2,145,052)	(2,324,631)
Non-operating receipts (disbursements):					
Interest on investments	4,286	17,522		151,814	173,622
Debt service	(37,260)				(37,260)
Miscellaneous	4,671	2,002	45	131,127	137,845
Net non-operating receipts (disbursements)	(28,303)	19,524	45	282,941	274,207
Excess (deficiency) of receipts over (under) disbursements	(116,031)	(60,076)	(12,206)	(1,862,111)	(2,050,424)
Transfers:					
Operating transfers in	144,000	43,000	40,000	372,500	599,500
Operating transfers out				(165,503)	(165,503)
Net transfers	144,000	43,000	40,000	206,997	433,997
Change in cash balances	27,969	(17,076)	27,794	(1,655,114)	(1,616,427)
Cash balances beginning of year	915,022	2,669,754	786,659	8,836,922	13,208,357
Cash balances end of year	\$ 942,991	2,652,678	814,453	7,181,808	11,591,930
Cash Basis Fund Balances					
Restricted for equipment purchase				957,641	957,641
Unrestricted	\$ 942,991	2,652,678	814,453	6,224,167	10,634,289
Total cash basis fund balances	\$ 942,991	2,652,678	814,453	7,181,808	11,591,930

See notes to financial statements.

CITY OF LAKE MILLS

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

The City of Lake Mills is a political subdivision of the State of Iowa located in Winnebago County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City of Lake Mills also provides water, sewer, electric, and storm water utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Lake Mills has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Winnebago County Commission Board, Winnebago County E911 Board and Winnebago County Assessors Compensation Board.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

CITY OF LAKE MILLS

Notes to Financial Statements

June 30, 2021

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has elected to treat the Debt Service Fund as a discretionary major fund. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. The City has elected to treat the Enterprise, Storm Sewer Fund as a discretionary major fund.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

CITY OF LAKE MILLS

Notes to Financial Statements

June 30, 2021

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Enterprise, Electric Fund accounts for the operation & maintenance of City's electric utility system.

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Storm Sewer Fund accounts for the operation and maintenance of the City's storm sewer system.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

CITY OF LAKE MILLS

Notes to Financial Statements

June 30, 2021

D. Property Taxes and Governmental Cash Basis Fund Balances:

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

CITY OF LAKE MILLS

Notes to Financial Statements

June 30, 2021

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 365 days. Funds not identified as operating funds may be invested in investments with maturities longer than 365 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2021 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General Obligation Bonds	\$ 9,000		9,000		
Business type activities:					
Water SRF	\$213,000		33,000	180,000	34,000

On August 2, 2016, the City issued \$100,000 of general obligation bonds with an interest rate of 0.00%. The bonds were issued for a fire truck. During the year ended June 30, 2021, the City paid \$9,000 of principal on the bonds.

Revenue Notes

A summary of the City's June 30, 2021 revenue notes payable is as follows:

Year Ending June 30,	Water			
	Issued August 20, 2008			
	Interest Rates	Principal	Interest	Total
2022	1.75%	\$ 34,000	3,150	37,150
2023	1.75	35,000	2,555	37,555
2024	1.75	36,000	1,943	37,943
2025	1.75	37,000	1,313	38,313
2026	1.75	38,000	665	38,665
		<u>\$ 180,000</u>	<u>9,626</u>	<u>189,626</u>

The City has pledged future water customer receipts, net of specific operating disbursements to repay \$540,000 of water revenue notes issued in August 2008. Proceeds from the notes provided financing for the construction improvements and extensions to the municipal waterworks system of the City.

CITY OF LAKE MILLS

Notes to Financial Statements

June 30, 2021

The notes are payable solely from water customer net receipts and are payable through 2026. Total principal and interest remaining to be paid on the notes is \$189,625. For the current year, principal and interest paid and total customer receipts were \$36,728 and \$429,558, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate water revenue note sinking fund within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) All funds remaining in the water account after the payment of all maintenance and operating expenses and required transfers shall be placed in a surplus fund within the Enterprise Funds. All money credited to the surplus fund shall be transferred and credited to the sinking fund whenever necessary to prevent or remedy a default in the payment of the principal of or interest on the notes.

(4) Pension Plans

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

CITY OF LAKE MILLS

Notes to Financial Statements

June 30, 2021

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

CITY OF LAKE MILLS

Notes to Financial Statements

June 30, 2021

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 were \$117,311.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability for its proportionate share of the collective net pension liability totaled \$818,794. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.0116559%, which was an increase of 0.001079% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$158,805, \$207,191 and \$108,689 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00 %compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF LAKE MILLS

Notes to Financial Statements

June 30, 2021

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	100.0%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

- The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$1,525,937	818,794	226,074

IPERS Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

CITY OF LAKE MILLS

Notes to Financial Statements

June 30, 2021

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2021, the City contributed \$317,048 and plan members eligible for benefits contributed \$60,951 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by City of Lake Mills and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug and dental benefits as active employees, who results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>19</u>
Total	<u>20</u>

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours are accumulated for subsequent use and are paid out to employees having at least fifteen years of service upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2021, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$129,747
Sick	<u>188,678</u>
	<u>\$ 318,425</u>

This liability has been computed based on rates of pay in effect at June 30, 2021.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

CITY OF LAKE MILLS

Notes to Financial Statements

June 30, 2021

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 186,635
	Emergency Fund	13,192
	Urban Renewal Tax Increment	119,744
	Capital Projects	15,932
		<u>335,503</u>
	Enterprise:	
	Electric	165,503
		<u>501,006</u>
Capital Projects	Special Revenue:	
	Urban Renewal Tax Increment	<u>53,438</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Employee Benefits	<u>12,964</u>
Enterprise:	Special Revenue:	
Electric	Urban Renewal Tax Increment	<u>372,500</u>
Storm Sewer	Urban Renewal Tax Increment	<u>40,000</u>
Sewer	Urban Renewal Tax Increment	<u>43,000</u>
Water	Urban Renewal Tax Increment	<u>144,000</u>
		<u>\$1,166,908</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$4,668 during the year ended June 30, 2021.

(9) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

CITY OF LAKE MILLS

Notes to Financial Statements

June 30, 2021

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on the cash basis, the Pool's general and administrative expenses, claims, claim expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City of Lake Mills' annual contributions to the Pool for the year ended June 30, 2021 were \$97,640.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2021, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

CITY OF LAKE MILLS

Notes to Financial Statements

June 30, 2021

The City also carries commercial insurance purchased from other insurers for coverage associated with excess crime and airport liability in the amount of \$9,846. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2021, \$20,015 of property tax was diverted from the City under the urban renewal and economic development agreements.

(11) Construction Commitments

The City has entered into a construction contract totaling \$31,216 for sidewalks. As of June 30, 2021, \$0 has been paid on the contract leaving a balance of \$31,216. The City also entered into the Install of Generator contract totaling \$851,049. As of June 30, 2021, \$642,445 has been paid on the contract leaving a balance of \$208,604.

(12) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of City of Lake Mills, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of City of Lake Mills. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to City of Lake Mills.

CITY OF LAKE MILLS

Notes to Financial Statements

June 30, 2021

(13) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

OTHER INFORMATION

City of Lake Mills
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2021

	Governmental Funds	Proprietary Funds		Budgeted Amounts		Final to Total
	Actual	Actual	Total	Original	Final	Variance
Receipts:						
Property tax	\$ 655,744		655,744	642,289	642,289	13,455
Tax increment financing	994,704		994,704	981,257	981,257	13,447
Other city tax	265,433		265,433	221,859	221,859	43,574
Licenses and permits	5,065		5,065	5,500	5,500	(435)
Use of money and property	71,138	173,622	244,760	298,132	298,132	(53,372)
Intergovernmental	478,079		478,079	334,268	392,920	85,159
Charges for services	284,766	3,334,713	3,619,479	3,626,015	3,627,015	(7,536)
Special assessments	86,577		86,577			86,577
Miscellaneous	273,577	137,845	411,422	105,770	199,460	211,962
Total receipts	3,115,083	3,646,180	6,761,263	6,215,090	6,368,432	392,831
Disbursements:						
Public safety	713,764		713,764	641,112	755,809	42,045
Public works	577,031		577,031	613,675	687,545	110,514
Culture and recreation	460,974		460,974	724,199	775,334	314,360
Community and economic development	158,390		158,390	142,164	172,028	13,638
General government	113,121		113,121	117,366	127,788	14,667
Debt service	9,000		9,000	9,000	9,000	
Capital projects	452,985		452,985	311,583	462,583	9,598
Business type activities		5,696,604	5,696,604	6,234,601	6,624,201	927,597
Total disbursements	2,485,265	5,696,604	8,181,869	8,793,700	9,614,288	1,432,419
Excess (deficiency) of receipts over (under) disbursements	629,818	(2,050,424)	(1,420,606)	(2,578,610)	(3,245,856)	1,825,250
Other financing sources, net	(433,997)	433,997				
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	195,821	(1,616,427)	(1,420,606)	(2,578,610)	(3,245,856)	1,825,250
Balances beginning of year	3,878,981	13,208,357	17,087,338	15,308,021	15,308,021	1,779,317
Cash balances end of year	\$ 4,074,802	11,591,930	15,666,732	12,729,411	12,062,165	3,604,567

See accompanying independent auditor's report.

City of Lake Mills

Notes to Other Information – Budgetary Reporting

June 30, 2021

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$820,588. The budget amendment is reflected in the final budgeted amounts.

City of Lake Mills
Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
For the Last Seven Years*

Other Information

	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.0116559%	0.0105770%	0.0110211%	0.0119680%	0.0115353%	0.0105075%	0.0100773%
City's proportionate share of the net pension liability	\$ 818,794	612,478	697,444	797,218	725,950	519,119	399,655
City's covered payroll	\$ 1,186,297	1,132,341	1,115,735	1,165,615	1,080,571	1,035,532	1,025,589
City's proportionate share of the net pension liability as a percentage of its covered payroll	69.02%	54.09%	62.51%	68.39%	67.18%	50.13%	38.97%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Lake Mills
Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years

Other Information

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 117,311	113,346	109,165	102,234	106,719	98,967	95,696	94,744	88,065	83,015
Contributions in relation to the statutorily required contribution	(117,311)	(113,346)	(109,165)	(102,234)	(106,719)	(98,967)	(95,696)	(94,744)	(88,065)	(83,015)
Contribution deficiency (excess)										
City's covered payroll	\$ 1,236,901	1,186,297	1,132,341	1,115,735	1,165,615	1,080,571	1,035,532	1,025,589	968,335	969,420
Contributions as a percentage of covered payroll	9.48%	9.55%	9.64%	9.16%	9.16%	9.16%	9.24%	9.24%	9.09%	8.56%

See accompanying independent auditor's report.

City of Lake Mills
Notes to Other Information – Pension Liability
Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

SUPPLEMENTARY INFORMATION

City of Lake Mills

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2021

	Special Revenue			Permanent	
	Emergency	Employee Benefits	Revolving Loan Fund	Trust & Agency	Total
Receipts:					
Property tax	\$ 12,927	189,657			202,584
Use of money and property			1,240	100	1,340
Intergovernmental	265	1,920			2,185
Miscellaneous			45,224	21,074	66,298
Total receipts	13,192	191,577	46,464	21,174	272,407
Disbursements:					
Operating:					
Public works				15,119	15,119
Community and economic development			45,110		45,110
General government				8,590	8,590
Total disbursements			45,110	23,709	68,819
Excess (deficiency) of receipts over (under) disbursements	13,192	191,577	1,354	(2,535)	203,588
Other financing sources (uses):					
Transfers out	(13,192)	(199,599)			(212,791)
Change in cash balances		(8,022)	1,354	(2,535)	(9,203)
Cash balances beginning of year		8,022	93,408	48,220	149,650
Cash balances end of year			94,762	45,685	140,447
Cash Basis Fund Balances					
Nonspendable - permanent fund				\$ 45,685	45,685
Restricted for other purposes			94,762		94,762
Total cash basis fund balances			\$ 94,762	45,685	140,447

See accompanying independent auditor's report.

City of Lake Mills

Schedule of Receipts by Source and Disbursements by Function -
All Governmental Funds

For the Last Ten Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Receipts:										
Property tax	\$ 655,744	618,227	621,340	565,766	615,637	555,541	574,950	572,508	556,295	508,187
Tax increment financing	994,704	994,695	984,016	1,009,251	767,193	803,693	767,112	806,870	867,913	1,033,506
Other city tax	265,433	221,911	217,636	203,307	197,817	189,305	211,088	198,300	194,893	184,210
Licenses and permits	5,065	6,470	5,727	6,264	5,480	6,459	5,339	5,590	4,968	3,953
Use of money and property	71,138	272,984	173,489	159,370	134,426	117,356	95,969	135,656	129,245	70,908
Intergovernmental	478,079	358,277	353,854	352,596	359,718	247,455	285,493	323,393	283,734	365,666
Charges for service	284,766	235,869	260,702	250,418	254,874	357,896	246,846	275,207	257,476	243,286
Special assessments	86,577	174,949	11,185	12,568	21,753	26,448	28,225	29,677	32,161	39,088
Miscellaneous	27,3577	203,190	233,984	301,295	328,076	154,899	169,829	300,304	99,382	116,720
Total	<u>\$3,115,083</u>	<u>3,086,572</u>	<u>2,861,933</u>	<u>2,860,835</u>	<u>2,684,974</u>	<u>2,459,052</u>	<u>2,384,851</u>	<u>2,647,505</u>	<u>2,426,067</u>	<u>2,565,524</u>
Disbursements:										
Operating:										
Public safety	\$ 713,764	592,037	727,038	594,091	793,443	546,417	576,873	698,910	573,078	515,919
Public works	577,031	447,308	507,446	472,521	453,579	423,453	439,916	398,401	362,678	370,515
Culture and recreation	460,974	405,286	480,529	489,240	531,047	452,252	392,101	399,631	367,390	358,442
Community and economic development	158,390	138,731	184,803	184,785	146,737	100,026	114,493	146,902	115,660	545,232
General government	113,121	196,216	110,311	112,388	116,418	102,759	91,823	89,567	80,753	91,179
Debt service	9,000	10,000	10,000	159,750	121,750	321,900	315,920	309,250	412,781	1,261,554
Capital projects	452,985	875,356	1,970,829	1,068,323	248,567	205,923	417,489	365,021	736,320	109,570
Total	<u>\$2,485,265</u>	<u>2,664,934</u>	<u>3,990,956</u>	<u>3,081,098</u>	<u>2,411,541</u>	<u>2,152,730</u>	<u>2,348,615</u>	<u>2,407,682</u>	<u>2,648,660</u>	<u>3,252,411</u>

See accompanying independent auditor's report.

Fort & Schlegel C.P.A., P.C.

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Lake Mills, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 25, 2021. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lake Mills's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lake Mills's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lake Mills's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Lake Mills' financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-21 to be material weakness.

800 1st Ave. S
Fort Dodge, IA
515.955.5560

3131 Main St.
Emmetsburg, IA
712.852.4464

109 2nd St. NE
Mason City, IA
641.423.7155

516 N. Water St.
Goldfield, IA
515.825.3339

4 Main Ave. S
Britt, IA
641.843.3729

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Lake Mills's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Lake Mills's Responses to the Findings

City of Lake Mills's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. City of Lake Mills's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of City of Lake Mills during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

October 25, 2021



Fort & Schlegel C.P.A., P.C.
Britt, Iowa

City of Lake Mills

Schedule of Findings

Year Ended June 30, 2021

Part I: Findings Related to the Financial Statements:

Significant Deficiencies:

I-A-21 Segregation of Duties

Criteria – Properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Condition – The City is unable to fully segregate receipt and posting functions, disbursement preparation and posting functions and reconciliation functions from receipt and disbursement functions.

Cause – The City has limited time and staffing constraints.

Effect – Since job functions were not properly segregated, misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

Recommendation – We recommend that City staff continue to review operating procedures in order to obtain the maximum internal controls possible.

Response - We will investigate this and continue to implement procedures where possible.

Conclusion - Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

Instances of Non-Compliance:

No matters were noted.

City of Lake Mills

Schedule of Findings

Year Ended June 30, 2021

Part II: Other Findings Related to Statutory Reporting:

II-A-21 Certified Budget – Disbursements during the year ended June 30, 2021 did not exceed the amounts budgeted.

II-B-21 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in the Attorney General’s opinion dated April 25, 1979 or that were not properly documented. The City has established written policies and procedures, including the requirements for proper documentation, as part of their adopted administrative policies.

II-C-21 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-21 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Joe Jamtgaard, Council Member Owner, Dave's Auto Service	Fuel/repairs	\$ 4,668

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with a City Council Member does not appear to represent a conflict of interest since total transactions were less than \$6,000 during the fiscal year.

II-E-21 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

II-F-21 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

II-G-21 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-21 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-I-21 Revenue Note – No instances of non-compliance with the revenue bond and note resolution were noted.

City of Lake Mills

Schedule of Findings

Year Ended June 30, 2021

Part II: Other Findings Related to Statutory Reporting (continued):

II-J-21 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

II-K-21 Financial Condition – The Capital Projects Fund has a deficit balance of \$88,532.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return these funds to a sound financial position.

Response – The deficits were subsequently eliminated.

Conclusion – Response accepted.